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Economy hits golf industry

Acushnet Co. layoffs are just a symptom

By AARON NICODEMUS, *Standard-Times* staff writer

FAIRHAVEN -- Wally Uihlein, head of The Acushnet Co., sees bad times ahead for the golf industry.

Research done by The Acushnet Co. and by other companies who monitor the health of the golf market have found that rounds of play at golf courses across the country are down. Retail sales of all golf merchandise are flat. Bookings at golf resorts are off. Corporate spending on custom golf balls is down significantly.

"Golf spending is discretionary income," said Mr. Uihlein, chairman and CEO of The Acushnet Co. "When the economy goes down, everyone looks at their portfolios, and they tighten up their spending. We get hit."

For the first time in more than a decade, The Acushnet Co. is laying off a significant number of employees. Two-hundred-ninety workers at the company's three golf ball manufacturing plants will not come back from a three-week summer break in August.

The announcement of layoffs ripples far beyond SouthCoast, whose residents will feel the pain of job losses. The Acushnet Co., makers of Titleist, Pinnacle, FootJoy and Cobra golf products, is considered the premier brand in the golf industry. The company owns 40 percent of the golf ball market in golf pro shops and golf specialty stores. More than one of every three golf balls sold anywhere in the world are made by The Acushnet Co.

So far, 2002 has been a very good year for The Acushnet Co. Through June, the company earned \$600 million in sales, an 8 percent increase over last year. Operating profit for the same period was \$95 million, up 4 percent.

But Mr. Uihlein says the short-term future of the golf market is in trouble, in large part because the economy is weak.

The fortunes of the golf industry are inextricably linked to corporate spending, according to Mr. Uihlein. Companies use golf courses as a venue to woo clients, and golf resort vacations are doled out as thank-yous to hard-working executives.

Is there any corporate gift more ubiquitous than a golf ball embossed with a corporation's logo? But corporations are buying fewer of them. Between one-quarter and one-third of all golf balls sold are corporate sales, according to the trade journal *Golf World Business*.

The Acushnet Co. has a facility in New Bedford that does nothing else but stamp the logos of corporations on one side of its golf balls (not the Titleist side, of course). But corporate sales are down 12 percent this year, and were down 12 percent last year, a 24 percent drop in sales in only two years.

How much corporations are willing to spend on specialty golf balls is a good indicator of corporate America's appetite for golf balls and other golf-related products, Mr. Uihlein said.

And so the company has decided to cut employees. Mr. Uihlein says the company last laid off employees in 1988, and was forced to shut down a manufacturing facility in 1982. **Short-term fix**

"I don't like having to make this decision," Mr. Uihlein said, calling the layoffs "one of the most difficult I've made in my 26 years with the company." He calls the move a short-term fix in direct response to a tightening of the golf market, and says he is not worried about golf's future, or The Acushnet Co.'s future in SouthCoast.

The golf ball maker has largely completed a \$20 million upgrade of new manufacturing equipment for Ball Plant I in Acushnet, and is still on track to spend \$21 million on an addition to Ball Plant II in the New Bedford Business Park.

"We don't make investments in the future like that lightly," he said. "We're committed to the area, and our future is here. You can reduce short-term spending without taking your eyes off the long-term investments."

Most of the 290 employees being laid off were hired in 2000, when the company ramped up production to meet demand for its popular Pro V1 golf ball, and to a lesser extent, its NXT line of golf balls. Most of the employees being laid off have only been with the company for two years, not that the layoffs are any less difficult or painful, he said.

"The Pro V1 saved this company," said Mr. Uihlein. When demand for that golf ball took off in 2000, the company added equipment and employees. With the layoffs, the company's total number of employees is back to where it was in 2000, at 2,086, he said.



PETER PEREIRA/The Standard-Times

Golfers take to the green at the new LeBaron Hills Country Club in Lakeville. While numbers locally are mixed, fewer rounds of golf are being played nationwide, a symptom of the economic woes plaguing the golf industry.

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The layoffs come as a direct result of the company's research and tracking of the golf industry's heartbeat. All the research points to a downturn in golf industry sales for the next six months.

There are a variety of indicators that The Acushnet Co. uses to make its decisions on how much raw materials to order and how much production capability to maintain.

One of the first indicators is rounds of play. Golf Datatech, a Kissimmee, Fla.-based company founded by a former Titleist vice president, tracks all kinds of golf market indicators, from rounds of play to golfers' attitudes to how well golf bags are selling. Its statistics are used to gauge the health of the industry by companies like The Acushnet Co. and by industry publications like Golf World, Golf Week and Golf World Business.

Golf Datatech was founded by David Overmeyer, a Mattapoisett resident who was a vice president of golf ball marketing at Titleist for eight years. **Down playing**

According to Mr. Overmeyer, rounds of play across the nation are down 3.2 percent this year, compared to last year, for January through May. Compared to 2000, rounds of play are down a total of 8 percent through May. Golf Datatech receives reports from 1,500 golf courses around the country each month.

April and May of this year were particularly bad months for rounds of play, each down 6 percent compared to last year.

Bad weather, especially in the midwest, has also had an impact. Golf courses in Wisconsin, Michigan and Illinois opened later this year, forcing down the number of rounds that could be played, Mr. Uihlein said.

Locally, rounds of play numbers vary widely.

Joel Baptiste, manager of the Heritage Hill Country Club in Lakeville, said the overall number of rounds is down.

"The beginning of the season was very wet, and lately it's been very hot," Mr. Baptiste said. "There are also a lot more golf courses in the area, a lot more competition."

At Hawthorne Country Club in Dartmouth, rounds of play are up significantly this year, by 18 percent, or about 400 rounds. The club's director of golf, Doug Turner, said a new irrigation system has improved the course considerably, so more members are playing more often. This winter did not have much snow, so golfers were playing in January and February. In the same months of 2001, the course was covered in snow.

Despite the large increase in rounds at Hawthorne Country Club, it has not translated into bigger sales at the pro shop. "It's been pretty flat, same as last year," Mr. Turner said.

At the Acushnet River Valley Golf Course, rounds of play have been up strongly in May and June, according to director of golf Ed Distefano. "But I know that nationally, rounds of play are down. It makes sense to me that they would have to cut back," he said of The Acushnet Co. "There are a lot of other companies out there making good products, a lot of competition. And they're fighting the recession, too."

The Acushnet Co. also keeps regular tabs on bookings at major resorts, where golf is a big part of the guests' leisure activities. "The bookings are off, and so we expect people to play less golf," Mr. Uihlein said.

For consumers, a shrinking market has meant lower prices for a dozen golf balls. Mr. Uihlein said the retail price for a dozen golf balls is down ten percent, meaning that a dozen balls costing \$20 a year or two ago now cost \$18. Competitors have cut prices even more steeply, he said.

"It's a good value for the consumer, but it's an ominous sign for retailers and manufacturers," he said. "When everyone is giving away product, that's not a good thing for us." Staff writer Aaron Nicodemus can be reached at (508) 979-4470 or by e-mail at anicolodemus@s-t.com

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